

GENERAL MORTGAGE SERVICE CORPORATION OF CANADA

Head Office: 68 Yonge Street, Toronto 1, Canada

Annual Report

Nineteen Sixty-five





J. L. WHITNEY, q.c.
PRESIDENT

Report to the SHAREHOLDERS

*

May I submit on behalf of the Directors the Annual Report on operations for the year 1965.

The past year has manifested unique and complex circumstances — the high rise of interest rates in Europe — the drain of gold to Europe under an insistence to settle accounts oftener, causing foreign investment restrictions in the world's richest country — and then the havoc of an Atlantic tidal wave damaging those it hit and generally creating a "credibility gap" in the North American money-for-reinvestment market; while all during the year Canada showed an unprecedented voracious demand for money to develop and expand, straining the supply of money available.

These factors, generally affecting all activity in finance markets, caused higher interest rates in the borrowing market, both long and short term, and for all practical purposes caused an aridity in the supply of such funds.

The contraction of the short term money market and the dearth of money, generally, forcing up other money rates, both banking and long term, has affected the profits of your Company.

Amelioration of some of these factors can be seen, but we are still somewhat short of seeing a completely new and more favourable set of factors for companies operating in the financial field.

However, for us, some things are certain. Building overall is not out in front of demand; apartment building now is an established economic necessity as houses are too expensive to maintain for the wave of new family wage earners; interest rates must continue high enough to attract money for re-investment; and money for reinvestment may be expected in the coming year to be more available for corporations properly directed, managed and regulated.

During 1965, the paid up capital of your Company advanced from \$1,115,784 to \$1,131,984.

Assets rose from \$7,185,546 to \$8,624,420, a rise of 20%.

Interest income increased from \$465,000 to \$644,000.

Gross revenue is up 28% over last year. In 1964 it was \$531,930, and in 1965 \$684,193.

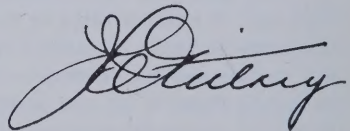
Net profit before taxes in 1964 was \$146,808, and in 1965 it was \$168,389. After income taxes, net profit was this year 94¢ per fully paid share, or 19¢ on the 20% paid up stock.

The reserve position of this Company has been improved. The reserve fund, unappropriated profits and investment reserve now amount to \$237,139.

All in all we have experienced a year of solid growth.

This Company stands out favourably in comparison with the results obtained by any loan or trust company which has entered the field in the last few years. We intend this to continue.

Personally, I offer a special "thank you" for the help given by the outstanding members of Canada's business community on our Board of Directors. To our diligent officers and employees, I say I am most grateful for their efforts.

A handwritten signature in dark ink, appearing to read "J. Stulley", with a large, stylized initial "J" and a long, sweeping underline.

President.

Toronto, 14th January, 1966.

REPORT OF THE DIRECTORS OF

General Mortgage Service Corporation of Canada

FOR THE YEAR 1965



STATEMENT OF UNAPPROPRIATED PROFITS

Year ended December 31, 1965
(with comparative figures for 1964)

| | <u>1965</u> | <u>1964</u> |
|---|-------------------------|-------------------------|
| Net income for year before undernoted charges . . . | \$ 174,484 | \$ 153,101 |
| Deduct: | | |
| Amortization of bond discounts and expenses . . | 3,800 | 3,600 |
| Depreciation on office equipment | 2,295 | 2,693 |
| Income taxes | 62,000 | 54,000 |
| | <u>68,095</u> | <u>60,293</u> |
| NET INCOME FOR YEAR | 106,389 | 92,808 |
| Unappropriated profits at beginning of year | 58,029 | 31,790 |
| Premium of \$9,000 on capital stock issued, less expenses of \$8,393 | | 607 |
| | <u>164,418</u> | <u>125,205</u> |
| Deduct: | | |
| Dividends on capital stock | 45,279 | 33,190 |
| Transferred to investment reserve | 29,000 | 11,000 |
| Incorporation and organization expenses written off | | 22,986 |
| | <u>74,279</u> | <u>67,176</u> |
| Unappropriated profits at end of year | <u><u>\$ 90,139</u></u> | <u><u>\$ 58,029</u></u> |
| Net income per fully paid share | .94 | .83 |
| Net income per 20% paid share | .19 | .17 |

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ASSETS

| | <u>1965</u> | <u>1964</u> |
|---|--------------------|--------------------|
| GENERAL FUND | | |
| Cash | \$ 30,852 | \$ 11,351 |
| Mortgages receivable | 1,351,870 | 1,322,674 |
| Office equipment at cost less accumulated depreciation | 7,783 | 10,021 |
| Unamortized bond discounts and expenses | 28,327 | 28,969 |
| | <u>1,418,832</u> | <u>1,373,015</u> |
| MORTGAGE FUND A | | |
| Cash | 200,352 | 19,476 |
| Mortgages receivable, issued under the National Housing Act | 2,551,459 | 2,720,940 |
| | <u>2,751,811</u> | <u>2,740,416</u> |
| MORTGAGE FUND B | | |
| Cash | 46,576 | 39,229 |
| Mortgages receivable | 4,407,201 | 3,032,886 |
| | <u>4,453,777</u> | <u>3,072,115</u> |
| | <u>\$8,624,420</u> | <u>\$7,185,546</u> |

NOTE: During the current year 2,025 20% paid shares were fully paid up for an additional consideration of \$16,200.

Share warrants outstanding at December 31, 1965, and expiring on March 15, 1969, entitle the holders to purchase 66,160 fully paid shares of the corporation as presently constituted at a price of \$12.50 per share.

We hereby certify that to the best of our knowledge and belief the foregoing balance sheet is correct and shows truly and clearly the financial condition of the corporation's affairs.

J. L. WHITNEY, Q.C., President }
J. C. VANSTONE, Vice-President and Treasurer } Directors

Corporation of Canada

(Incorporated under the laws of Canada)

HEET

1965

(Assets for 1964)

LIABILITIES

GENERAL FUND

| | | |
|---|-------------|-------------|
| Capital Stock (see note): | | |
| Authorized: | <u>1965</u> | <u>1964</u> |
| 1,000,000 common shares, par value \$10.00 per share | | |
| Issued: | | |
| 63,958 shares, fully paid (1964 — 61,933 shares) . . . | \$ 639,580 | \$ 619,330 |
| 246,202 shares, 20% paid (1964 — 248,227 shares) . . . | 492,404 | 496,454 |
| | <hr/> | <hr/> |
| | 1,131,984 | 1,115,784 |
| Reserve fund | 100,000 | 100,000 |
| Unappropriated profits | 90,139 | 58,029 |
| | <hr/> | <hr/> |
| | 1,322,123 | 1,273,813 |
| Dividend payable January 3, 1966 | 11,320 | 11,158 |
| Income taxes payable | 24,407 | 52,534 |
| Accounts payable and accrued expenses | 13,101 | 7,810 |
| Unamortized discounts on mortgages | 14,881 | 23,700 |
| Investment reserve | 33,000 | 4,000 |
| | <hr/> | <hr/> |
| | 1,418,832 | 1,373,015 |

MORTGAGE FUND A

| | | |
|--|-----------|-----------|
| Bank loans, secured by Series A Mortgage Bonds, payable on demand | 2,475,000 | 1,615,000 |
| Series A Mortgage Bonds maturing within one year | 265,000 | 1,112,000 |
| Accrued interest | 11,811 | 13,416 |
| | <hr/> | <hr/> |
| | 2,751,811 | 2,740,416 |

MORTGAGE FUND B

| | | |
|--|-------------|-------------|
| Bank loans, secured by Series B Mortgage Bonds, payable on demand | 2,955,000 | 1,990,000 |
| Series B Mortgage Bonds maturing 1969-73 | 1,444,300 | 1,023,200 |
| Accrued interest and expenses | 35,187 | 32,175 |
| Unamortized discounts on mortgages | 5,290 | 12,740 |
| Investment reserve | 14,000 | 14,000 |
| | <hr/> | <hr/> |
| | 4,453,777 | 3,072,115 |
| | <hr/> | <hr/> |
| | \$8,624,420 | \$7,185,546 |

AUDITORS' REPORT

To the Shareholders of

General Mortgage Service Corporation of Canada:

We have examined the balance sheet of General Mortgage Service Corporation of Canada as at December 31, 1965 and the statement of unappropriated profits for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the corporation, the accompanying balance sheet and statement of unappropriated profits are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the corporation as at December 31, 1965 and the results of its operations for the year ended on that date.

Toronto, Canada,
January 14, 1966.

THORNE, MULHOLLAND, HOWSON & McPHERSON,

Chartered Accountants.

The following services are available through

General Mortgage Service Corporation of Canada

who will . . .

- lend money on first mortgage loans
- purchase first mortgage loans
- provide interim financing for builders' projects
- manage mortgage investments at minimum management fees
- provide information on deferred capital financing to anyone with financing problems

General Mortgage issues to investors short, intermediate and long term Guaranteed Investment Bonds bearing attractive interest rates.

Officers The Honourable C. P. McTague, Q.C., LL.D.
 Chairman of the Board

J. L. Whitney, Q.C.
 President

J. C. Vanstone, C.A.
 Vice-President & Treasurer

L. Henderson
 Vice-President & Secretary

C. J. Whitney, Q.C., B.C.L.
 General Counsel

Directors The Honourable C. P. McTague, Q.C., LL.D.
 Toronto, Ontario

Frank M. Covert, O.B.E., D.F.C., Q.C.
 Halifax, Nova Scotia

The Honourable Senator L. P. Gelin, M.B.E.
 Montreal, Quebec

L. Henderson
 Cooksville, Ontario

Grant Horsey, B.Comm.
 Toronto, Ontario

Joseph S. Land
 Montreal, Quebec

John H. Norris
 Montreal, Quebec

J. C. Vanstone, C.A.
 Toronto, Ontario

C. J. Whitney, Q.C., B.C.L.
 Waterloo, Ontario

J. L. Whitney, Q.C.
 Waterloo, Ontario

George M. Wilson
 Toronto, Ontario

Bankers Canadian Imperial Bank of Commerce
 Bank of Montreal
 The Royal Bank of Canada
 The Toronto-Dominion Bank

